

Message Text

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TO AMEMBASSY BELGRADE

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TAGS: OSCI, YO, ABUD

SUBJECT: SFCP-US-YUGOSLAV SCIENCE PROGRAM: HEW/OIH GRANT
TO JOINT FUND

REF: BELGRADE 1429

1. ARTICLE III(A) OF THE MAY 18, 1973 AGREEMENT DID NOT SPECIFY THE EXACT AMOUNT OF DINARS THE USG WAS TO DEPOSIT IN THE JOINT FUND. IT DID REFLECT THE ADVANCE, DIRECT RELEASE OF DINARS AS MUTUALLY AGREED UPON TO MEET IMMEDIATE PROJECT REQUIREMENTS, AND IDENTIFIED APPROXIMATE AMOUNTS TO BE DEPOSITED IN THE JOINT FUND BY THE USG ON JUNE 30 AND NOVEMBER 1, 1973 TOTALING OVERALL 120,329,000 DINARS. THE TWO DEPOSIT AMOUNTS WERE PRECEDED BY THE WORD "ABOUT". THE EXACT AMOUNTS WERE NOT SPECIFIED BECAUSE THE USG WAS UNABLE TO DETERMINE THE PRECISE AMOUNTS DUE TO POTENTIAL EXCHANGE RATE ADJUSTMENTS, INTERNAL USG BUDGETARY AND FISCAL PLANNING PROCEDURES, AND UNCERTAINTY AS TO THE ADEQUACY OF USG DINAR BALANCES.

2. IN THE MAY 1973 MEETINGS PRECEEDING THE AGREEMENT, IT WAS EXPLAINED TO THE YUGOSLAVS THAT THE USG CONTRIBUTION
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MIGHT BE SIGNIFICANTLY OVER OR SHORT OF THE APPROXIMATE

AMOUNTS IN THE AGREEMENT. ACCORDINGLY, ARTICLE III(B) WAS WRITTEN IN SUCH A WAY AS TO REQUIRE YUGOSLAV MATCHING FUNDS EQUAL TO THE USG CONTRIBUTION ACTUALLY MADE. AMOUNTS

FOR YUGOSLAV CONTRIBUTION WERE PRECEDED BY THE PHRASE "IT IS PRESENTLY CONTEMPLATED" RECOGNIZING THAT THESE TOO WERE NOT PRECISELY FIXED IN AMOUNT AND TIME.

3. ARTICLE III (C) WAS INCLUDED ONLY TO PROVIDE FOR THE POSSIBILITY OF ADDITIONAL CONTRIBUTIONS BEYOND THE INITIAL CONTRIBUTIONS CONTEMPLATED, HOWEVER IMPRECISELY AS TO AMOUNT, IN THE AGREEMENT.

4. THE DEPARTMENT CONSIDERS THAT THE CONTRIBUTION OF 4,639,779.5 DINARS ABOVE THE IMPRECISE AGREEMENT AMOUNT OF 120,329,000 (LESS THAN A 4 PERCENT ADJUSTMENT) FALLS WITHIN THE AREA OF FLEXIBILITY AS TO AMOUNT OF CONTRIBUTION BUILT INTO THE AGREEMENT. ACCORDINGLY, WE CONCLUDE THERE IS NO NEED FOR EITHER JOINT BOARD OR ADDITIONAL YUGOSLAV GOVERNMENT AGREEMENT PRIOR TO DEPOSITING THE AMOUNT IN THE JOINT FUND. FURTHER, THE AMOUNT CONTRIBUTED IN EXCESS OF 120,329,000 DINARS WILL BE PARTIALLY OFFSET BY SHORTFALLS IN NSF DEPOSITS, AND IN ALL DEPOSITS MADE AT A PREVAILING RATE UNDER 15.43 DINARS TO THE DOLLAR.

5. HOWEVER, THE SIGNIFICANT APPRECIATION OF THE DINAR AGAINST THE DOLLAR IN THE PAST TWO WEEKS MAY NECESSITATE A REDUCTION IN THE HEW/OIH CONTRIBUTION, AND, PENDING FURTHER INSTRUCTIONS, YOU SHOULD DEFER BOTH DEPOSIT OF THE 4,639,779.5 DINARS AND USE OF THE GRANT LETTER PERTAINING TO THE OIH PAYMENT AIRGRAMMED ON MARCH 27.

6. PLEASE PROVIDE BY CABLE ASAP STATEMENT OF DINAR AND DOLLAR AMOUNTS BY AGENCY FOR ALL DEPOSITS MADE IN JOINT FUND SINCE JANUARY 1, 1974. RUSH

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